

Message Text

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EO 11652: GDS

TAGS: ENRG, NU

SUBJECT: CONTEST FOR HYDROELECTRIC PROJECT DESIGN AND FINAL
CONSTRUCTION

1. SUMMARY: A CLOSELY HELD DEVELOPMENT IN NICARAGUA IS A DECISION TO GO AHEAD WITH THE FINAL DESIGN OF A HYDROELECTRIC PROJECT ON THE RIO GRANDE DE MATAGALPA. WHAT HAS NOT BEEN DECIDED IS WHETHER IT WILL BE DONE WITH WORLD BANK FINANCING LOOKING TOWARD THE BANK'S PARTICIPATION IN CONSTRUCTION FINANCING OR BY A MYSTERIOUS CONSORTIUM SAID TO BE LED BY ULTRAMAR BANKING CORP. OF MEXICO CITY ALLIED WITH CANADIAN, SOUTH AFRICAN, SWEDISH, SPANISH, AND BRAZILIAN INVESTORS AND SUPPLIERS TIED TO USE OF THE SPOER BY A LARGE FERTILIZER COMPLEX TO BE CONSTRUCTED. IF NICARAGUA OPTS FOR THE LATTER COURSE, RELATIONS WITH WORLD BANK OFFICIALS MAY BE CONSIDERABLY SOURED. THE PRE-FEASIBILITY STUDY WHICH LED TO THE SELECTION OF A SITE FOR THE DESIGN WORK WAS FINANCED BY AID.
END SUMMARY

2. INTERNATIONAL ENGINEERING COMPANY OF SAN FRANCISCO RECENTLY COMPLETED AN AID-FINANCED STUDY ON NICARAGUA'S FUTURE ENERGY NEEDS AND POTENTIAL RESOURCES, IN THE PROCESS IDENTIFYING THE BEST SITE FOR A BADLY NEEDED HYDROELECTRIC FACILITY. THE WORLD BANK HAS AGREED TO CONTINUE THE STUDY THROUGH THE DESIGN STAGE, TO BE UNDERTAKEN BY INTERNATIONAL ENGINEERING IN A JOINT VENTURE WITH MORRISON-KNUDSEN INTERNATIONAL. IN THE FINAL STAGES AT
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ARRIVING AT AN AGREEMENT, NICARAGUA'S PRESIDENT REPORTEDLY

PUT A STOP ON THE PROJECT BECAUSE OF WHAT HE STATED WAS A BETTER DEAL.

3. THIS BETTER DEAL INVOLVING INVESTORS AND SUPPLIERS FROM SWEDEN, SOUTH AFRICA, CANADA, SPAIN, AND BRAZIL IS RELATED TO THE CONSTRUCTION OF A NITROGEN FERTILIZER PLANT WHICH WOULD EVENTUALLY ABSORB THE TOTAL OUTPUT OF THE FACILITY WHICH WAS ORIGINALLY PROGRAMMED TO MEET FUTURE NATIONWIDE ENERGY NEEDS. THERE IS ALSO AN ALLEGATION THAT THE PRESIDENT MAY BE FINANCIALLY PARTICIPATING IN THE FERTILIZER SCHEME.

4. THE WORLD BANK SUPPORT OF THE PROJECT IS INCLUDED IN A PACKAGE OF ENERGY PROJECTS TOTALING APPROXIMATELY \$20 MILLION. INTERNATIONAL ENGINEERING CLAIMS THE BANK HAS STATED THE PACKAGE MUST BE ACCEPTED IN TOTO AND THAT THE BANK MAINTAINS THE HYDROELECTRIC PRODUCTION SHOULD BE DIRECTED TO NATIONAL NEEDS RATHER THAN TO ONE INDUSTRIAL USER. THE DECISION NOW RESTS WITH THE PRESIDENT.

5. WE ARE MAILING A COPY OF A CONFIDENTIAL REPORT RECEIVED FROM INTERNATIONAL ENGINEERING WHICH GIVES SPECIFICS ON THE PROJECT.

6. COMMENTS: RUMORS ABOUT THE FERTILIZER PLANT AND ALLEGATIONS ABOUT SOMOZA'S INVOLVEMENT HAVE BEEN CIRCULATING SINCE THEN INFONAC PRESIDENT NOEL PALLAIS RETURNED FROM A TRIP TO SOUTH AFRICA SOME SIX MONTHS AGO. IT MAPQ ALSO EXPLAIN SOMOZA'S RECENT SPATE OF STATEMENTS THAT GEOTHERMAL ENERGY WILL SOLVE NATIONAL POWER NEEDS RATHER THAN THE OBVIOUS HYDROELECTRIC POTENTIAL AND THE ALMOST TOTAL SECRECY ABOUT THE IMMINENCE OF A MAJOR (CIRCA US \$250 MILLION) HYDROELECTRIC DEVELOPMENT. ULTRAMAR IS THE FIRM OF EDDIE RODRIGUEZ FELIU, A HIGHLY CONTROVERSIAL MONEY BROKER WHO ENJOYS A SPECIAL RELATIONSHIP WITH THE SOMOZA GOVERNMENT. AT LEAST TWO US BANKS HAVE VOWED NEVER TO PARTICIPATE AGIN IN FUTURE LOANS TO THE GON INVOLVING FELIU BECAUSE OF THE DISTINCT SMELL OF CORRUPTION. A REPORT OF ULTRAMAR SHOWS US OFFICES AT 505 PARK AVENUE, NEW YORK. EMBASSY WOULD APPRECIATE A CONFIDENTIAL CHECK ON ULTRAMAR IF POSSIBLE.

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